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Dominican Republic

Oilseeds and Products

Annual

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Report Highlights:
Soybean meal imports in MY 2003 are expected to decline by at least ten percent from the 325,000-ton-level in MY 2002. U.S. market share will drop from 100 percent to about 66 percent, due to the availability of less expensive meal from South America. Soybean oil imports in MY 2003 are estimated at 95,000 metric tons, mostly from Argentine because of price. Forecast for the MY 2004 anticipate a slight increase in oil imports.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Santo Domingo [DR1]
[DR]

Executive Summary

Soybeans are not produced in the Dominican Republic. Therefore, imported soybean products satisfy all local market requirements.

With the exception of about 1,000 tons of coconut meal and small quantities of palm kernel meal, there are practically no oil meals produced in the Dominican Republic. During the 2002 marketing year (January-December 2003), U.S. soybean meal consumption decreased slightly, as a result of higher international prices and the weakening of the local economy. Imports of soybean meal in marketing year MY 2002 were 359,000 metric tons (MT), all from the United States. Estimates for MY 2003 are anticipated to be lower as a result of extremely high current prices. In addition, the limited availability of expensive U.S. soybean meal has forced Dominicans importers to source 100,000 MT of Brazilian meal for delivery before the beginning of the U.S. harvest in 2004. Soybean meal has no import duty and the new DR-CAFTA agreement recently negotiated, locks in this zero duty.

Domestic oilseed production for oil in the Dominican Republic is limited. In MY 2002 about 2,000 metric tons of coconut oil and 18,500 metric tons of palm oil were produced and it represents fifteen percent of the country's oil requirements. Production is expected to continue to grow in MY 2003.

In addition to the above, total vegetable oil consumption in MY 2002 includes imported soybean (95,000 metric tons, 6 percent U.S.), sunflower (8,000 metric tons from Argentina), palm (4,500 metric tons from Colombia) and U.S. corn and coconut oils (2,700 metric tons and 600 metric tons, respectively). This total is not expected to grow in MY 2003.

The recently negotiated DR-CAFTA free trade agreement, if approved, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years. The 12 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer.

OILSEEDS
Production

Soybeans are not produced domestically because of unfavorable climatic conditions. During the eighties, soybeans were imported from the United States and crushed domestically to produce oil and meal. Since the crushing facility was closed, soybean products are imported to satisfy local market requirements.

Other oilseed production in the Dominican Republic, such as copra, has gradually decreased, due to lower prices of other vegetable oils in the international market and also because of competition for other higher value products derived from coconut. As a direct consequence, there are only small quantities of copra available for oil extraction. With no new investment projects in sight for peanut or coconut, copra production remains flat, at about 3,000 metric tons.

Peanuts, which were once the major raw material for oil extraction, have had strong competition from less expensive oils, such as imported sunflower oil. Furthermore, the better prices offered by the snack food industry have left practically no peanuts available for oil production.

Although palm oil production declined, as a result of the damage to plantations by Hurricane George in 1998, they have gradually recovered. In MY 1998, production levels dropped to less than 1,500 metric tons and have increased to a revised 18,500 metric tons by MY 2002, still less than pre-hurricane levels. Expectations for increased palm oil production in MY 2003 remain optimistic, particularly with the current value of the peso and the increasing international prices for other vegetable oils.

Consumption and Trade

Several years ago, the two major producers merged to become MERCASID, which now processes 75-80 percent of the Dominican oilseeds and imported crude degummed oils. However, La Fabril and Cesar Iglesias are also in operation and are refining imported crude degummed oils also, mostly soybean and palm oils.

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies were devoted to palm oil production: INDUSPALMA (a MERCASID sister company and a Unilever associate), and INASCA, an independent producer.

About 3,000 metric tons of copra was processed in MY 2002, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY 2003 will remain the same.

Stocks

Insignificant.

Policy

The Dominican Republic formally maintains maximum tariff rates allowed under bound duties in the WTO, including 40 percent on oilseeds. However, duties actually applied are much lower. Most observers believe that oilseed tariffs will not increase beyond current levels of three percent for soybeans and five percent for other oilseeds (plus a twelve percent VAT). This will not affect the processors, as there is no large crushing facility in the country.

The Dominican Republic does not subsidize or restrict the trade of oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Import certificates are required but available through the Secretariat of Agriculture (SEA).

OIL MEALS

Production

There is very little production of oil meal in the Dominican Republic. With the exception of about 1,000 tons of coconut meal, there is practically no other oil meal produced in the country (except minimal quantities of palm kernel meal produced when small amounts of palm kernel are occasionally available to crush). Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand. Estimates for MY 2002 and into MY 2003 are expected to remain at current levels. The major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy these sectors' requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price and proximity.

Consumption and Trade

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 75:20 ratio). Protein meal imported into the Dominican Republic is mixed with other imported ingredients to manufacture formulated feed. The balance is used for cattle and other specialty feeds. There is only one major producer in the formulated feed industry, AGRIFEED. Other users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produce almost half of the poultry and swine in the country, supply the Dominican population with most of its protein requirements (poultry, pork and eggs).

During MY 2002, soybean meal consumption decreased slightly as a result of higher international prices and the weakening of the local economy. A total of 359,000 MT of soybean meal was imported, all from the United States because of quality and price. Estimates for MY 2003 are anticipated to be lower as a result of extremely high current prices. In addition, the limited availability of expensive U.S. soybean meal has forced Dominicans importers to source 100,000 MT of Brazilian meal for delivery before the U.S. harvest begins in 2004. The thirty percent loss in market share is due to lower prices and availability from South America. Soybean meal has no import tax and the newly negotiated DR-CAFTA Free trade agreement locks these duties at zero for unrefined oils and soybean meal and phases out tariffs on refined oils over 15 years.

A new product, corn cake and meal (corn gluten) made a strong entry into the feed market in MY 1999, for cattle formulations. Imports for MY 2002 show corn gluten feed at 7,800 metric tons. Although is lower than the year before, it will maintain its use in current feed formulations replacing rice and wheat bran, which are sometimes not available in the local market.

Stocks

Industry sources indicate that stocks levels are currently lower than the average thirty-day supply.

Policy

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Current budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, there are eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), which continue to be protected with permits that are only issued under special circumstances. There is no import tax on soybean meal. Soybean meal has no import duty and the new DR-CAFTA agreement recently negotiated, locks in this zero duty.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service both countries.

Marketing

In general, soybean meal is imported by a consolidated meal producer who prepares formulated feed for the small- to medium-sized producers in the country. Another portion of imports is done directly by the major poultry and swine producers and associations who prepare their own feed formulations. Some of the formulated feed also moves to the Haitian market though informal trade.

TOTAL OILS
Production

Domestic vegetable oil production in MY 2002 is limited to palm (about 18,500 metric tons of crude oil plus some palm kernel oil) and copra (2,000 metric tons of oil). Local production of oil represented less than fifteen percent of the total supply last marketing year and is expected to remain with little change over the next two to three years. The stiff competition in MY 2002 is from imported products, such as: soybean (95,000 metric tons), sunflower (8,000 metric tons), palm (4,500 metric tons), corn (2,700 metric tons) and coconut (600 metric tons) oils. This will continue into MY 2003.

Palm plantations have recuperated from the effects of the hurricane in September 1998 and production is expected to continue to improve with higher oil output. In MY 2002, locally produced palm oil accounted for 90 percent of total domestic oil production. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap).

Coconut oil production is limited to the copra remaining from coconuts, which do not meet the quality needed for either direct export or processing (e.g., syrup for piña coladas). Occasionally, some coconut oil is exported to nearby islands, although this was not the case during the past marketing year. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly.

Consumption and Trade

In the mid-nineties there were five edible oil processors in the Dominican Republic, but currently there are only three in operation. MERCASID controls approximately 84 percent of the market, LA FABRIL in Santiago quickly gaining over 14 percent and "Cesar Iglesias" with the rest. Current estimated overall capacity exceeds 140,000 metric tons.

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2002 is about 131,000 metric tons close to last year's levels. This total is not expected to grow much in MY 2003, considering the weakening of the peso, which have raised local prices of all goods, but particularly imported products. Next marketing year may show some improvement, although it is early to forecast.

The situation for soybean oil consumption and imports is similar. In MY 2002 soybean oil imports have decreased, as a result of a weak economy and consumption pattern has shifted to less expensive oils. In addition, U.S. market share has decreased, as cheaper oils are sourced from South America. MY 2003 is not expected to show major improvement. Consumption of sunflower oil has been substituted for less expensive palm oil, limiting imports to 8,000 metric tons in MY 2002.

Price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market, since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads.

A summary of the Dominican vegetable oil imports for MY 2000, MY 2001 and MY 2002 is presented below:

Dominican Imports of Vegetable Oils MY 2000, MY 2001 and MY 2002

Marketing Year	Oil type	Quantity (MT)	% U.S. Share
MY 2000	Soybean	104,500	15
	Sunflower	9,860	0
	Corn	3,990	100
	Palm	1,500	0
Total		119,850	16
MY 2001	Soybean	105,000	42
	Sunflower	8,900	15
	Corn	3,960	100
	Palm	0	0
Total		117,800	42
MY 2002	Soybean	94,525	6
	Sunflower	8,000	0
	Corn	2,700	100
	Palm	4,500	0
	Coconut	600	100
		110,325	8

Source: Industry

Exports of Dominican oils to nearby islands are almost non-existent. Small quantities of soybean oil exports have been registered (less than 1,600 MT), in addition to an undefined quantity of soybean oil, which crosses to Haiti. The Dominican Republic is an observer of CARICOM since February 2002. The Central American Free Trade Agreement (CAFTA) has been approved by the Dominican government, but it does not provide vegetable oil advantages for any of the countries in the region. Negotiation have been concluded for a free trade agreement between the DR and the United States, that will be docked to the CAFTA agreement for submission to Congress for approval. The agreement, if approved, will take effect in January 2005.

Stocks

Stocks fluctuate throughout the year and are estimated at about ten to fifteen thousand metric tons, which is equivalent to a month's supply.

Policy

The GODR does not have a comprehensive development strategy for the oil sector. Currently, budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. Crude degummed oils have a basic 10 percent tax, while refined has a 20 percent basic duty. The 12 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the GODR prefers that all trade be conducted through a registered Dominican agent. The recently negotiated DR-CAFTA free trade agreement, if approved, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years. The 12 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer.

Marketing

The Dominican oil market is very competitive, with an average supermarket carrying at least eight brands. Currently, and in addition to the local brands, the most popular brands appear to be Crisco (with canola and soybean oils) and Mazola (with corn) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service the area.

STATISTICAL DATA

PSD Table

Country	**Dominican Republic**						
Commodity	**Meal, Soybean**			(1000 MT)(PERCENT)			
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	33	31	30	28	30	28	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	365	359	380	325	0	335	(1000 MT)
MY Imp. from U.S.	365	359	380	225	0	335	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	398	390	410	353	30	363	(1000 MT)
MY Exports	3	3	3	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	365	359	377	325	0	335	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	365	359	377	325	0	335	(1000 MT)
Ending Stocks	30	28	30	28	0	28	(1000 MT)
TOTAL DISTRIBUTION	398	390	410	353	0	363	(1000 MT)
Calendar Year Imports	365	359	380	325	0	335	(1000 MT)
Calendar Yr Imp. U.S.	365	359	380	225	0	335	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table

Country **Dominican Republic**

Commodity **Oil, Soybean** (1000 MT)(PERCENT)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT)
Beginning Stocks	12	14	11	14	13	14	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	107	95	110	98	0	103	(1000 MT)
MY Imp. from U.S.	20	16	20	20	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	119	109	121	112	13	117	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	108	95	108	98	0	103	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	108	95	108	98	0	103	(1000 MT)
Ending Stocks	11	14	13	14	0	14	(1000 MT)
TOTAL DISTRIBUTION	119	109	121	112	0	117	(1000 MT)
Calendar Year Imports	0	95	110	98	0	103	(1000 MT)
Calendar Yr Imp. U.S.	0	16	20	20	0	20	(1000 MT)
Calendar Year Exports	0	1	0	1	0	1	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)